Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?							
Indicator Targets	Does not meet standard	The school does not meet standard on 2 or more of the five sub-indicators shown below.					
	Approaching standard	The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.					
	Meets standard	The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.					
	Exceeds standard	The school meets standard for all 5 sub-indicators.					

School Rating	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	DNMS						

Sub-indicator Ratings	Sub-indicator	Sub-indicator targets		Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%	80%	DNMS
		AS	Enrollment ratio is between 90 – 98%		
		MS	Enrollment ratio equals or exceeds 99%		
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%	96%	MS
		AS	Enrollment ratio is between 90 – 95%		
		MS	Enrollment ratio equals or exceeds 95%		
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0	0.28	DNMS
		AS	Current ratio is between 1.0 – 1.1		
		MS	Current ratio equals or exceeds 1.1		
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30	8	DNMS
		AS	Days cash on hand is between 30-45		
		MS	Days cash on hand equals or exceeds 45		
	Debt Default	DNMS	Default or delinquent payments identified	Meets	MS
		MS	Not in default or delinquent		

Indiana Math and Science Academy-South (IMSA South) receives a rating of **does not meet standard** for Core Question 2.1 because it did not meet standard for three sub-indicators though it met standard for two sub-indicators. At the September 2013 Count Day, the Indiana Department of Education (IDOE) indicated that school had 201 students enrolled. This is 80% of the 250 students that the school promised the community it would serve in its charter contract. Though the school did not meet standard for its enrollment, it is important to note that IMSA South was in its first year, and many schools struggle to meet enrollment in their first year.

Though the school did not meet standard for enrollment at its September count day, it did a good job maintaining the level of enrollment achieved in September through February. The school **met standard** for its February Enrollment Variance. This sub-indicator is calculated by dividing the number of students enrolled in the school on the February 2014 Count Day conducted by the Indiana Department of Education divided by the number of students enrolled at the time of the September 2013 Count Day. IDOE indicated that the school had 193 students enrolled at the February Count Day. This represents 96% of the number of students enrolled at the time of the September Count Day.

With regard to its current ratio, the school **did not meet standard** meaning that it did not have current assets (cash or other assets that can be accessed in the next 12 months) that exceeded its current liabilities (debt obligations due in the next 12 months) by 10% or more.

Additionally, the school ended the year with 8 days cash on hand and **did not meet standard** for this ratio. Days cash on hand is an important measure of a charter school's fiscal health because it indicates how many more days after June 30, 2014, the school would have been able to operate at its seem spending levels without receiving a tuition support payment from IDOE

Lastly, the school **met standard** for debt default. This metric is determined by both the auditors' comments in the audited financial statements and contact with the school's creditors. In the case of Indiana Math and Science Academy-South, neither its auditors nor its creditors provided any indication that the school had defaulted on its debt obligations.

Based on the summary of these sub-indicator ratings, Indiana Math and Science Academy-North **did not meet standard** for Core Question 2.1.

Enrollment Variance Ratio
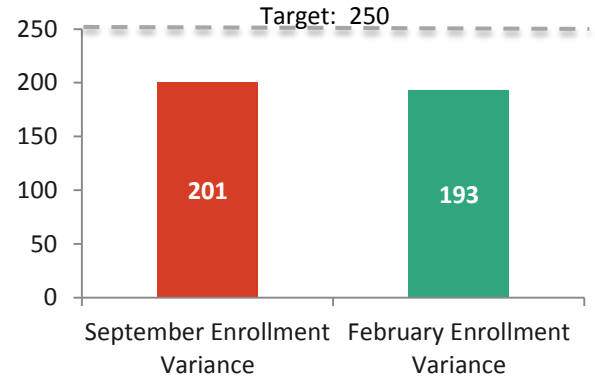
Days Cash on Hand

2.2. Long-term Health: Does the organization demonstrate long-term financial health?		
Indicator Targets	Does not meet standard	The school does not meet standard on any of the 3 sub-indicators **OR** meets standard on 1 sub-indicator but does not meet standard on the remaining 2.
	Approaching standard	The school meets standard on 2 of the sub-indicators while not meeting on the third, **OR** approaches standard on all 3 sub-indicators.
	Meets standard	The school meets standard on 2 of the sub-indicators and approaches standard on the third.
	Exceeds standard	The school meets standard for all 3 sub-indicators.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
School Rating	**2013-14**	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	DNMS						

	Sub-		Sub-indicator targets			Result	Rating
Sub-indicator Ratings	Aggregate Three-Year Net Income	DNMS	Aggregate 3-year net income is negative.			-$163,555 (current year)	DNMS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.				
		MS	Aggregate three year net income is positive, and most recent year is positive.				
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95			1.41	DNMS
		AS	Debt to Asset ratio is between .9 - .95				
		MS	Debt to Asset ratio is less than or equal to .9				
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05			N/A	N/A
		AS	DSC ratio is between 1.05-1.2				
		MS	DSC ratio equals or exceeds 1.2				

The school received a rating of **does not meet standard** for Core Question 2.2. The school did not meet standard for the net income sub-indicator. It had a current year net income of **-$163,555**. 2013-14 was the school's first year of operations. So, it was not possible to calculate the aggregate three year net income.

The school **did not meet standard** for the debt to asset ratio sub-indicator. The school had a ratio of 1.41meaning that it had 41% more debts than it had assets for the 2013-14 fiscal year.

Three-Year Net Income

$-	
$(20,000)	2013-14
$(40,000)	
$(60,000)	
$(80,000)	
$(100,000)	
$(120,000)	
$(140,000)	
$(160,000)	
$(180,000)	

■ 2013-14

Lastly, the school has not long-term maturities or capital leases. So, it was not necessary to calculate the debt service coverage ratio. It should be noted, however, that the school does have significant operating leases.

Given that Indiana Math and Science Academy-South received a rating of does not meet standard for both of sub-indicators that were evaluated, it receives a rating of **does not meet standard** for Core Question 2.2.
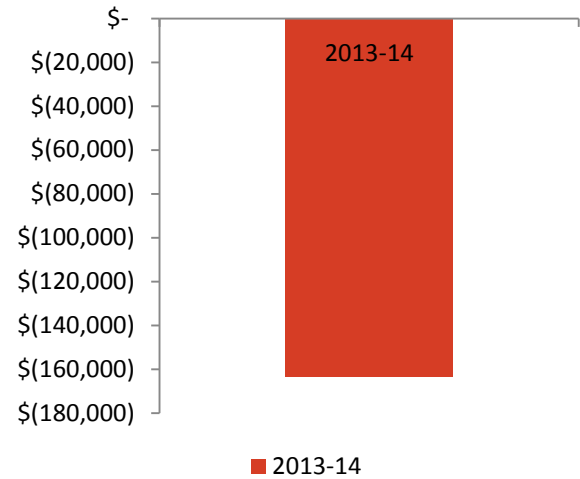
2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard	The school does not meet standard on 1 of the sub-indicators.					
	Approaching standard	The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.					
	Meets standard	The school meets standard on both sub-indicators.					
School Rating	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	MS						

Sub-indicator Ratings	Sub-indicator	Sub-indicator targets		Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.	MS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.	
		MS	The school receives a clean audit opinion.	
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.	MS
		MS	The school satisfies all financial reporting requirements.	

Indiana Math and Science Academy-South received a rating of **meets standard** for Core Question 2.3 for the 2013-2014 school year. The school received a clean audit from Fitzgerald Issac that contained no significant deficiencies or material weaknesses. It should be noted, however, that the school received several audit comments that can be summarized as follows:

- Cash management: Not all employees who were responsible for cash deposits were bonded
- Cash receipts and deposits: The school delayed multiple cash deposits by between 5 and 21 days
- Credit Card Compliance: The school paid late fees and finance charges on every credit card statement that was tested
- Vendor disbursements: The school paid over $6,000 in sales tax (public charter schools are tax exempt and are not pay sales tax) and some of the accounts payable vouchers had only one sign-off

- School lunch application: The auditors were not able to find proof of free or reduced lunch eligibility in the case of two students

The school had the following response to its audit comments:
- Cash management: The school will expand its surety bond to include all employess that handle cash
- Cash receipts and deposits: The school will make sure that all funds collected are deposited in a timely manner
- Credit Card Compliance: The school will ensure that the credit card is paid in a timely manner moving forward
- Vendor disbursements: The school was not officially tax exempt at the start of the fiscal year as it was awaiting the approval of its 501 (c) 3 status. The school is now an approved 501 (c) 3 and no longer pays sales tax
- School lunch application: The school will conduct its own internal review of applications for federal free and reduced lunch

The initial draft of its audit was submitted on November 21, 2014.

The school required constant reminders for the timely submission of its quarterly financial statements. So, it is with reservations that the school received a rating of **meets standard** for its financial reporting requirements for timely submission of quarterly financial statements.

For these reasons, the school **met standard** for Core Question 2.3 for the 2013-2014 school year.